

Endumení Municipality



Financial Statements
2013/2014

Annual Financial Statements

for

Endumeni Municipality

for the year ended 30 June:

2014

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Acting Municipal Manager:	Mr SP Zulu
Name of Acting Chief Financial Officer:	Ms CB Mkhize
Contact telephone number:	0342122121
Contact e-mail address:	mkhizeb@endumeni.gov.za
Name of contact at provincial treasury:	Lusanda Lugongolo
Contact telephone number:	0338974327
Contact e-mail address:	lusanda.lugongolo@kzntreasury.gov.za
Name of relevant Auditor:	Auditor General
Contact telephone number:	0332647400
Contact e-mail address:	preshneem@agsa.co.za
Name of contact at National Treasury:	Ayanda Lekopa
Contact telephone number:	012 315 5453
Contact e-mail address:	Ayanda.Lekopa@treasury.gov.za

Endumeni Municipality
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General information

Members of the Council

Cllr TM Mahaye	Mayor
Cllr TB Mkhize	Deputy Mayor
Cllr SB Mdluli	Speaker
Cllr AM Raubenheimer	Member of the Executive Committee
Cllr E Adam	Member
Cllr Ms WN Mbatha	Member
Cllr JA Mfeka	Member
Cllr NS Ntuli	Member
Cllr SR Mbatha	Member
Cllr LP Mbhele	Member
Cllr Ms TI Makaba	Member
Cllr SW Dhlamini	Member

Acting Municipal Manager

Mr SP Zulu

Acting Chief Financial Officer

Ms CB Mkhize

Grading of Local Authority

3

Auditors

Auditor-General

Bankers

FNB Bank

Endumeni Municipality
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General information (continued)

Registered Office: Endumeni Municipality

Physical address:

64 Victoria Street
Civic Centre
Dundee
3000

Postal address:

Private Bag X2024
Dundee
3000

Telephone number:

0342122121

Fax number:

0342123856

E-mail address:

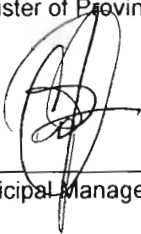
caroline@endumeni.gov.za

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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 57, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. However, the municipality faces challenges of debtor non-payment and the high rate of electricity losses due to theft. This may have future financial implications on the operations of the municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Acting Municipal Manager: Mr SP Zulu

29 August 2014

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Endumeni Municipality
Statement of Financial Position
as at 30 June 2014

	Note	2014	2013
		R	Restated R
ASSETS			
Current assets		57,357,495	58,652,007
Inventories	2	3,801,342	3,065,522
Bank balances and cash	3	2,620,919	2,043,833
Current portion of non-current receivables	4	51,097	57,670
Trade and other receivables from exchange transactions	5	5,149,420	5,890,949
Trade and other receivables from non-exchange transactions	6	9,916,971	7,555,868
Current investments	7	35,810,546	40,030,965
Other current financial assets	8	7,200	7,200
Non-current assets		204,266,063	195,209,432
Non-current receivables	4	473,793	478,433
Property, plant and equipment	9	185,320,951	176,234,027
Intangible assets	10	46,284	71,937
Investment property	11	18,425,034	18,425,034
Total assets		261,623,558	253,861,439
LIABILITIES			
Current liabilities		39,045,080	38,170,468
Trade and other payables from exchange transactions	12	26,364,757	23,981,037
Consumer deposits	13	3,624,592	3,259,018
VAT payable	14	2,624,404	2,352,464
Current portion of unspent conditional grants and receipts	16	4,168,042	6,325,749
Current portion of long-term borrowings	17	2,263,284	2,252,200
Non-current liabilities		65,489,274	59,935,223
Non-current borrowings	17	7,093,009	8,980,653
Non-current provisions	15	9,527,855	6,330,612
Defined benefit plan obligations	45	48,868,410	44,623,957
NET ASSETS		157,089,204	155,755,748
Housing Development Fund	18	4,065,051	3,930,609
Other Reserves	19	1,656,260	313,481
Accumulated surplus / (deficit)		151,367,894	151,511,658
Total net assets		157,089,204	155,755,748

Endumeni Municipality
Statement of Financial Performance
for the year ending 30 June 2014

	Note	2014	2013
		R	Restated R
REVENUE			
Revenue from exchange transactions		108,993,092	104,575,595
Service charges	21	100,532,794	95,756,467
Rental of facilities and equipment	22	1,357,421	1,286,912
Interest earned - external investments	23	1,952,413	1,957,691
Interest earned - outstanding receivables	24	3,403	3,187
Licences and permits		4,397,463	4,288,003
Other income from exchange transactions	26	749,599	1,283,335
Revenue from non-exchange transactions		114,220,750	110,945,261
Property rates	20	48,013,502	45,454,388
Property rates - penalties and collection charges		6,814,972	6,190,913
Fines		1,086,364	487,040
Government grants and subsidies	25	58,305,912	58,812,920
Total revenue		223,213,842	215,520,856
EXPENSES			
Employee related costs	27	66,406,997	66,822,733
Remuneration of councillors	28	3,074,248	2,927,575
Adjustment to bad debts provision		12,189,519	9,013,383
Adjustment to landfill site provision		3,197,243	1,711,872
Collection costs		2,743,871	2,512,466
Depreciation and amortisation expense	29	7,441,429	6,768,244
Amortisation		23,104	35,967
Repairs and maintenance		6,371,803	5,495,957
Finance costs	30	1,251,918	1,448,618
Bulk purchases	31	68,977,529	62,805,704
Contracted services	32	1,387,899	2,062,642
General expenses	33	43,120,783	37,810,961
Retirement and long services benefits	45	5,663,588	5,124,488
Total expenses		221,849,932	204,540,609
Gain / (loss) on sale of assets	34	(221,251)	-
(Impairment loss) / Reversal of impairment loss	35	(1,168,970)	
Gain / (loss) on fair value adjustment	36	-	6,553,034
Inventories: (Impairment loss)/ Reversal of impairment loss	35	(117,454)	(73,186)
Surplus / (deficit) for the period		-143,765	17,460,095

Endumeni Municipality

Statement of Changes in Net Assets as at 30 June 2014

	Housing Development Fund	Insurance Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R
Opening balance as previously reported 2012	3,804,975	758,517	132,553,633	137,117,125
Prior period Errors Assets (Refer to Note 40)			1,497,929	1,497,929
Restated Balance as at 30 June 2012	3,804,975	758,517	134,051,562	138,615,054
Surplus for the year - restated in Note 40				
Transactions for the year	132,751	-446,966	17,460,095	17,460,095
Prior period Errors (Refer to Note 40)	-7,117	1,930		-314,215
Effect of rounding in the financial statements			1	-5,187
				1
Restated Balance as at 30 June 2013	3,930,609	313,481	151,511,658	155,755,748
Surplus / (deficit) for the period				
Transactions for the year	134,441	1,342,779	-143,765	-143,765
Effect of rounding in the financial statements			1	1,477,221
				1
Balance at 30 June 2014	4,065,051	1,656,260	151,367,894	157,089,205

Endumeni Municipality
Cash Flow Statements
as at 30 June 2014

	Note	2014 R	2013 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		206,766,926	263,003,111
Sales of goods and services		150,618,721	206,542,531
Grants		56,148,206	56,460,580
Payments		191,699,880	240,423,230
Employee costs		67,087,355	67,087,356
Suppliers		124,612,526	173,335,874
Cash generated from operations	37	15,067,046	22,579,881
Interest received		1,955,816	1,960,878
Interest paid		-1,251,918	-1,448,618
Net cash flows from operating activities		15,770,944	23,092,141
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		-17,916,025	-26,492,467
Proceeds from sale of fixed assets		-	-
Proceeds from sale of investments		-	-
Purchase of intangibles		-	-
Decrease/(Increase) in Loans and receivables		12,734	24,061
Net cash flows from investing activities		-17,903,291	-26,468,406
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		-1,876,560	-1,631,903
Decrease/(Increase) in Consumer deposits		365,574	351,698
Net cash flows from financing activities		-1,510,986	-1,280,205
Net increase / (decrease) in cash and cash equivalents		-3,643,333	-4,656,470
Net cash and cash equivalents at beginning of period		42,074,797	46,731,267
Net cash and cash equivalents at end of period	38	38,431,465	42,074,797

Endumeni Municipality
Statement of Comparison of Budget and Actual Information
as at 30 June 2014

	2014										2013			
	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Financial Performance														
Property rates	63 867 805	-	63 867 805		63 867 805	54 828 473		-9 039 332	86	86				51 645 301
Service charges	104 464 928	-	104 464 928		104 464 928	100 532 794		-3 932 134	96	96				95 756 467
Investment revenue	1 900 000	-	1 900 000		1 900 000	1 952 413		52 413	103	103				1 957 691
Transfers recognised - operational	45 697 001	387 000	46 084 001		46 084 001	44 994 912		-1 089 089	98	98				46 378 920
Other own revenue	15 447 630	-8 150 000	7 297 630		7 297 630	7 594 250		296 620	104	49				13 901 511
Total Revenue (excluding capital transfers and contributions)	231 377 364	-7 763 000	223 614 364		223 614 364	209 902 842		-13 711 522	94	91			209 639 880	
Employee costs	82 835 349	-1 711 542	81 123 807	49 200	81 173 007	66 406 997	-14 766 010	-14 766 010	82	80				66 822 733
Remuneration of councillors	3 148 337	-	3 148 337		3 148 337	3 074 246	-74 089	-74 089	98	98				2 927 575
Debt impairment	3 825 285	-	3 825 285		3 825 285	12 188 519	8 364 234	8 364 234	319	319				9 013 383
Depreciation & asset impairment	10 547 357	-	10 547 357		10 547 357	8 633 503	-1 913 854	-1 913 854	82	82				6 804 211
Financial charges	1 251 920	-	1 251 920		1 251 920	1 251 918	-2	-2	100	100				1 448 618
Materials and bulk purchases	70 258 913	155 845	70 414 758	2 500	70 417 258	69 750 106	-667 152	-667 152	99	99				63 137 550
Transfers and grants	3 872 286	-1 400 000	2 472 286		2 472 286	1 297 030	-1 175 256	-1 175 256	52	33				1 433 819
Other expenditure	59 702 644	1 916 491	61 619 135	-54 000	61 565 135	60 754 286	-810 849	-810 849	99	102				53 025 906
Total Expenditure	235 442 091	-1 039 206	234 402 885	-2 300	234 400 585	223 357 607	-11 042 978	-11 042 978	95	95			204 613 754	
Surplus/(Deficit)	4 064 727	-6 723 794	13 311 000		13 311 000	13 454 765		-13 454 765	125	331				5 026 096
Transfers recognised - capital & contributed assets	13 311 000	-	13 311 000		13 311 000	13 311 000		-	100	100				12 434 000
Surplus/(Deficit) after capital transfers & contributions	9 246 273	-6 723 794	2 522 479		2 524 779	-143 765		-2 668 544	-6	-2			17 460 096	
Share of surplus/ (deficit) of associate														
Surplus/(Deficit) for the year	9 246 273	-6 723 794	2 522 479		2 524 779	-143 765		-2 668 544	-6	-2			17 460 096	
Capital expenditure & funds sources														
Transfers recognised - capital	35 308 713	-	35 308 713		35 308 713	13 311 000		-5 151 385	72	72				10 251 000
Public contributions & donations	18 462 385	-	18 462 385		18 462 385									-
Borrowing	3 200 000	-	3 200 000		3 200 000			-3 200 000	49	-				-
Internally generated funds	13 646 328	4 230 705	9 415 623		9 415 623	4 605 025		-4 810 598	49	34				16 241 467
Total sources of capital funds	35 308 713	-	31 078 008		31 078 008	17 916 025		-13 161 983	58	51				26 492 467
Cash flows														
Net cash from (used) operating	25 321 743	1 426 206	26 747 949		26 747 949	15 770 944		-10 977 004	59	62				23 092 141
Net cash from (used) investing	-26 890 974	-3 919 295	-30 810 269		-30 810 269	-17 903 291		12 906 978	58	67				-26 488 406
Net cash from (used) financing	682 751	-	682 751		682 751	-1 510 986		-2 193 737	-221	-221				-1 280 205
Cash/cash equivalents at the year end	37 246 706	-2 493 089	34 753 617		34 753 617	38 431 465		3 677 848	111	103				42 074 797

Endumeni Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
as at 30 June 2014

1 ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment for municipal services and a high rate of electricity losses due to theft. This may have future implications on the operations of the municipality.

COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided to these financial statements and forms part of the annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 32 - Service Concession Arrangements: Grantor
GRAP 105 - Transfers of Functions Between Entities Under Common Control
GRAP 106 - Transfers of Functions Between Entities Not Under Common Control
GRAP 107 - Mergers
GRAP 108 - Statutory Receivables
IGRAP 17 - Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset
GRAP 18 - Segment Reporting
GRAP 20 - Related Party Disclosures

Management have considered all of the above-mentioned GRAP standards approved or issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.2 PROPERTY, PLANT AND EQUIPMENT

INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

INITIAL MEASUREMENT

Items of property, plant and equipment are initially measured at cost at the acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT EXPENDITURE

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	3 - 100 years	Machinery and equipment	3 - 20 years
Electricity	3 - 80 years	Furniture and Equipment	3 - 50 years
Water	5 - 100 years	Motor Vehicles	4 - 20 years
Sewerage	10 - 60 years	Buildings	5 - 30 years
Other	10 - 30 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.3 HERITAGE ASSETS

INITIAL RECOGNITION

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

INITIAL MEASUREMENT

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

SUBSEQUENT MEASUREMENT

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

DERECOGNITION

The carrying amount of a heritage asset is derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.4 INTANGIBLE ASSETS

INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
 - it is technically feasible to complete the intangible asset;
 - the municipality has the resources to complete the project; and
 - it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT MEASUREMENT

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

AMORTISATION

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	2 - 5 years
-------------------	-------------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

IMPAIRMENT

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.5 INVESTMENT PROPERTY

INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

SUBSEQUENT MEASUREMENT

Investment property is subsequently measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

DERECOGNITION

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.6 INVENTORIES

INITIAL RECOGNITION AND MEASUREMENT

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of determining cost is the weighted-average method.

DERECOGNITION

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.7 FINANCIAL INSTRUMENTS

INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial

INITIAL MEASUREMENT

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

INVESTMENTS AT AMORTISED COSTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

INVESTMENT AT FAIR VALUE

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

INVESTMENT AT COST

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

TRADE PAYABLES AND BORROWINGS

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

IMPAIRMENT OF FINANCIAL ASSETS

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

IMPAIRMENT FOR FINANCIAL ASSETS HELD AT AMORTISED COST

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

IMPAIRMENT OF FINANCIAL ASSETS HELD AT COST

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

DERECOGNITION

A financial asset is derecognised only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

1.71 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.72 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.73 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.74 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.75 BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

1.76 LEASES

MUNICIPALITY AS LESSEE

RECOGNITION

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

DERECOGNITION

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

MUNICIPALITY AS LESSOR

RECOGNITION

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

DERECOGNITION

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.77 REVENUE

REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

RECOGNITION

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

MEASUREMENT

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods when meter readings have not been able to be made. The revenue from provisional estimates of consumption is recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised in the period in which cash is received.

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of consumables and sundry items is recognised when the risk is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

EXPENDITURE FROM EXCHANGE

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

RECOGNITION

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

MEASUREMENT

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

EXPENDITURE RELATING TO NON-EXCHANGE TRANSACTIONS

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

1.78 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms on the Housing Act (Act 107 of 1997)

Sections 15 (5) and 16 of the Housing Act, which came into effect on 1 April 1998, required the Entity to maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund and is fully cash-backed.

In terms of section 14(4)(d)(ii)(aa), read with inter alia section 16(2), the Housing Act required that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, to be paid into a separate operating account, and be utilised by the Entity for housing development in a accordance with the National Housing Policy.

1.79 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.8 RETIREMENT BENEFITS

SHORT TERM EMPLOYEE BENEFITS

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

1.81 POST-EMPLOYMENT BENEFITS

The Municipality operates various pension schemes. These schemes are funded through trustee administered funds. The Municipality has both defined benefit and defined contribution plans.

DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The municipality and its employees contribute to the Natal Joint Municipal Pension Fund which is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution funds

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

POST RE-TIREMENT HEALTH CARE BENEFITS

The liability recognised in the Statement of Financial Position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable. Valuations of these obligations are carried out every year by independent qualified actuaries.

1.82 IMPAIRMENT OF NON-FINANCIAL ASSETS

RECOGNITION

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

MEASUREMENT

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

REVERSAL OF IMPAIRMENT

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

IMPAIRMENT OF SPECIFIC NON-FINANCIAL ASSETS

PROPERTY, PLANT AND EQUIPMENT

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

INTANGIBLE ASSETS

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

INVESTMENT PROPERTY HELD AT COST

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

HERITAGE ASSETS

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

BIOLOGICAL ASSETS HELD AT COST

Where the carrying amount of an item of biological assets held at cost is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of biological assets held at cost have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2014

Note	2014 R	2013 Restated R
2 INVENTORIES		
Electricity	2,763,136	2,186,689
Consumable stores	763,546	633,560
Mechanical spares	34,024	36,489
Fuel and oils	240,636	208,785
Closing balance of inventories	3,801,342	3,065,522
Write down of inventory	61,768	188,279

Inventory has been impaired for redundant and obsolete items

Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority. The stock write down for the current year is still subject to council approval

3 BANK BALANCES AND CASH

Cash and cash equivalents consist of the following:

Cash on hand	17,110	17,010
Cash at bank	2,603,809	2,026,823
	2,620,919	2,043,833

The Municipality has the following bank accounts: -
Current Account (Primary Bank Account)

First National Bank Account - Dundee Branch
Account Number 62025460651: Cheque Account

Cash book balance at beginning of year	2,026,823	935,447
Cash book balance at end of year	2,603,809	2,026,823
Bank statement balance at beginning of year	2,026,823	935,447
Bank statement balance at end of year	2,603,809	2,026,823

4 NON-CURRENT RECEIVABLES

Housing - Selling scheme loans	1,146,937	1,139,688
Housing - Sibongile	579,548	582,548
Housing - Individual selling scheme loans	179,384	196,367
	1,905,869	1,918,603
Less : Provision for housing receivables	-1,380,979	-1,382,499
	524,890	536,104
Less : Current portion transferred to current receivables	-51,097	-57,670
Total Receivables	473,793	478,433

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Human Settlements programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

5 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade and Other Receivables from Exchange	R	R
Electricity	4,555,332	5,401,340
Refuse	16,815,983	14,392,498
Debtors for Value Added Taxation	3,140,285	2,880,234
Estate	79,305	76,448
Interest	11,241,059	9,744,019
Refund	75,490	112,920
Spare	900	900
Deposit Housing	8,221	3,739
Deposit Electricity	26,184	61,381
Receipt	(407 292)	(472 866)
Housing Levy	334,076	225,269
Legal Fees	149,517	156,135
Sundry Adjustments	555,868	562,986
Reassessment of prior year service debtors		
Total Service Debtors	36,574,929	33,145,004
Provision for Doubtful Debts	(31 425 509)	(27 254 055)
Total	5,149,420	5,890,949

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2014

	Note	2014 R	2013 Restated R
<u>Electricity: Ageing</u>			
Current (0 – 30 days)		3 526 252	4 018 634
31 - 60 Days		217 421	345 266
61 - 90 Days		107 361	50 578
91 - 120 Days		20 580	133 881
Greater than 120 days		683 718	852 981
Total		4 555 332	5 401 340
<u>Refuse: Ageing</u>			
Current (0 – 30 days)		1 023 440	1 017 314
31 - 60 Days		395 779	433 321
61 - 90 Days		347 467	316 188
91 - 120 Days		331 631	299 189
Greater than 120 days		14 717 668	12 326 486
Total		16 815 983	14 392 498
<u>Debtors for Value Added Taxation: Ageing</u>			
Current (0 – 30 days)		641 371	677 552
31 - 60 Days		87 442	110 244
61 - 90 Days		64 829	53 035
91 - 120 Days		50 076	61 753
Greater than 120 days		2 296 567	1 977 650
Total		3 140 285	2 880 234
<u>Estate: Ageing</u>			
Current (0 – 30 days)		1 443	2 777
31 - 60 Days		856	893
61 - 90 Days		657	720
91 - 120 Days		657	698
Greater than 120 days		75 692	71 360
Total		79 305	76 448
<u>Interest: Ageing</u>			
Current (0 – 30 days)		171,601	150,351
31 - 60 Days		167,595	146,917
61 - 90 Days		163,672	144,409
91 - 120 Days		161,234	140,613
Greater than 120 days		10,576,957	9,161,729
Total		11 241 059	9 744 019
<u>Refund: Ageing</u>			
Current (0 – 30 days)		12 661	31 064
31 - 60 Days		392	705
61 - 90 Days		300	183
91 - 120 Days		200	174
Greater than 120 days		61 938	80 794
Total		75 490	112 920
<u>Spare: Ageing</u>			
Current (0 – 30 days)		-	-
31 - 60 Days		-	-
61 - 90 Days		-	-
91 - 120 Days		-	-
Greater than 120 days		900	900
Total		900	900
<u>Deposit Housing: Ageing</u>			
Current (0 – 30 days)		3 086	654
31 - 60 Days		300	150
61 - 90 Days		300	300
91 - 120 Days		250	2 250

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2014

	Note	2014 R	2013 Restated R
Greater than 120 days		4 285	385
Total		8 221	3 739

Deposit Electricity: Ageing

Current (0 – 30 days)	4 000	16 547
31 - 60 Days	300	2 286
61 - 90 Days	600	810
91 - 120 Days	425	3 740
Greater than 120 days	20 859	37 998
Total	26 184	61 381

Add back credits included above: Ageing

Current (0 – 30 days)	(129 394)	(203 223)
31 - 60 Days	(59 663)	(70 574)
61 - 90 Days	(37 169)	(37 225)
91 - 120 Days	(16 606)	(17 310)
Greater than 120 days	(164 459)	(144 534)
Total	(407 292)	(472 866)

Housing Levy: Ageing

Current (0 – 30 days)	37 814	34 579
31 - 60 Days	20 382	14 346
61 - 90 Days	17 685	13 076
91 - 120 Days	17 362	9 165
Greater than 120 days	240 833	154 103
Total	334 076	225 269

Legal Fees: Ageing

Current (0 – 30 days)	0	(196)
31 - 60 Days	346	
61 - 90 Days	270	
91 - 120 Days	-	156 331
Greater than 120 days	148 900	
Total	149 517	156 135

Sundry Adjustments: Ageing

Current (0 – 30 days)	14 301	13 378
31 - 60 Days	2 507	2 835
61 - 90 Days	1 362	4 022
91 - 120 Days	1 916	2 446
Greater than 120 days	535 782	540 305
Total	555 868	562 986

Included in the trade and Other Receivables from exchange balances are the amounts owed by other spheres of Government:

Other spheres of Government: Ageing

Current (0 – 30 days)	780 115	834 253
31 - 60 Days	298 964	333 861
61 - 90 Days	229 254	147 441
91 - 120 Days	118 554	136 991
Greater than 120 days	2 481 508	2 456 946
Total	3 908 395	3 909 492

Summary of Debtors by Customer Classification

	Consumers R	Industrial / Commercial R	National and Provincial Government R
as at 30 June 2014			
Current (0 – 30 days)	3,325,426	3,983,294	780,115
31 - 60 Days	1,332,404	144,263	298,964
61 - 90 Days	1,206,488	81,146	229,254
91 - 120 Days	1,160,682	77,795	118,554
121 - 365 Days	1,137,530	69,694	98,644
+ 365 Days	71,947,464	3,569,082	2,382,864
Sub-total	80,109,994	7,925,274	3,908,395
Total debtors			91,943,663
Add back consumers with credit balances			886,153
Total debtors by customer classification			92,829,816

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2014

	Note	2014 R	2013 Restated R
as at 30 June 2013			
Current (0 – 30 days)	3,532,859	3,883,242	834,253
31 - 60 Days	1,422,020	198,775	333,861
61 - 90 Days	1,189,682	3,754	147,441
91 - 120 Days	1,153,473	107,461	136,991
121 - 365 Days	1,053,510	95,070	90,742
+ 365 Days	64,375,622	3,124,258	2,366,204
Sub-total	72,727,166	7,412,560	3,909,492
Total debtors			84,049,218
Add back consumers with credit balances			652,489
Total debtors by customer classification			84,701,707

5 Reconciliation of the doubtful debt provision

Reconciliation of the Bad Debt Provision

Balance at beginning of the year	86 390 721	77 377 339
Revenue from exchange	27 254 055	65 500 872
Non-current receivables	1 382 499	1 384 890
Revenue from non-exchange	57 754 167	10 491 577
Contribution to provision	12 003 994	9 013 383
Revenue from exchange	4 171 454	(38 246 817)
Non-current receivables	(1 520)	(2 391)
Revenue from non-exchange	7 834 060	47 262 590
Revenue from exchange	31 425 509	27 254 055
Non-current receivables	1 380 979	1 382 499
Revenue from non-exchange	65 588 228	57 754 167
Balance at end of year	98 394 715	86 390 721
Bad debts written off against the provision	185 525	

TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE

6 TRANSACTIONS

Trade Receivables - Property Rates	31 510 350	29 202 906
Penalties	22 655 105	20 477 677
Collection Fees	2 089 431	1 876 120
Other Debtors	9 513 575	3 473 004
Other Debtor - Umzinyathi District Municipality	6 048 709	6 048 709
Other Debtor - Operating Leases	9 890	553 482
Other Debtor - Department of Health - Subsidy	3 678 137	3 678 137
	75 505 199	65 310 035
Less provision for bad debts	(65 588 228)	(57 754 167)
Total	9 916 971	7 555 868

SIGNIFICANT UNCERTAINTY :

Included in the Umzinyathi District Municipality - Other Debtor is an amount of R4227 712. This amount is currently under dispute with the District Municipality and may not be recoverable. An impairment of this debtor has been accounted for in the current and prior years

Rates: Ageing

Current (0 – 30 days)	2 646 185	2 859 597
31 - 60 Days	714 218	687 540
61 - 90 Days	597 988	518 758
91 - 120 Days	520 530	480 968
Greater than 120 days	27 031 429	24 656 043
Total	31 510 350	29 202 906

Penalties: Ageing

Current (0 – 30 days)	261 489	244 005
31 - 60 Days	258 292	240 827
61 - 90 Days	255 205	238 026
91 - 120 Days	252 335	243 021
Greater than 120 days	21 627 784	19 511 798
Total	22 655 105	20 477 677

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2014

Note	2014 R	2013 Restated R
<u>Collection Fees: Ageing</u>		
Current (0 – 30 days)	41 768	39 810
31 - 60 Days	42 922	39 899
61 - 90 Days	39 822	37 996
91 - 120 Days	38 995	37 337
Greater than 120 days	1 925 924	1 721 078
Total	2 089 431	1 876 120

Property rates past due but not impaired

Property rates which are less than 3 months past due are not considered to be impaired. At 30 June 2014 R 989 816 were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	242,398
2 months past due	145,449
3 months past due	601,969

Property rates impaired

As of 30 June 2014, property rates of R 27 994 621 were impaired and provided for.

The ageing of these receivables is as follows:

3 to 5 months	2,052,117
Over 5 months	25,942,504

The fair value of property rates approximates their carrying amounts.

7 INVESTMENTS

7 CURRENT

Investments - Current Account	31 110 000	36 010 000
Investments - Museum Trust Fund	10 045	10 385
Investments - Government Grants and Subsidies	4 690 501	4 010 580
	35 810 546	40 030 965

ACCOUNT DESCRIPTION - Investments (MFMA requirement)

Investment Current Account

Absa Bank Account - Dundee Branch
Account Number 9072089566 : Call Account

Bank statement balance at the beginning of the year	6,000,000	6 000 000
Bank statement balance at the end of the year	6,000,000	6 000 000

Investment Current Account

First National Bank Account - Dundee Branch
Account Number 62113431390 : Money Market Account

Bank statement balance at the beginning of the year	30,010,000	31,019,991
Bank statement balance at the end of the year	25,110,000	30,010,000

TOTAL INVESTMENTS (CURRENT ACCOUNT) :	31 110 000	36 010 000
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Investment Museum Trust Fund

First National Bank Account - Dundee Branch
Account Number 62127781236 : Money Market Account

Bank statement balance at the beginning of the year	10,385	27,460
Bank statement balance at the end of the year	10,045	10,385

TOTAL INVESTMENT (MUSEUM TRUST FUND) :	10 045	10 385
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Investment Projects

First National Bank Account - Dundee Branch
Account Number 62047254941 : Call Account

Bank statement balance at the beginning of the year	2,318,561	1,412,057
Bank statement balance at the end of the year	2,993,230	2,318,561

Investment Sibongile Hostel

First National Bank Account - Dundee Branch
Account Number 62045928069 : Call Account

Bank statement balance at the beginning of the year	492,438	473,342
Bank statement balance at the end of the year	464,688	492,438

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2014

	Note	2014 R	2013 Restated R
Investment Municipal Pound Grant			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62310957131 : Call Account</i>			
Bank statement balance at the beginning of the year		133,808	1,030,379
Bank statement balance at the end of the year		-	133,808
Investment Sithembile Hostel			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62063967718 : Call Account</i>			
Bank statement balance at the beginning of the year		303,627	291,881
Bank statement balance at the end of the year		316,256	303,627
Investment Training of Councillors			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62310958098 : Call Account</i>			
Bank statement balance at the beginning of the year		27,602	149,136
Bank statement balance at the end of the year		27,602	27,602
Investment Development Info System Grant			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62126662627 : Call Account</i>			
Bank statement balance at the beginning of the year		14,074	14,074
Bank statement balance at the end of the year		14,074	14,074
Investment Transfer / Buyback Centre			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62130398903 : Call Account</i>			
Bank statement balance at the beginning of the year		6,335	6,091
Bank statement balance at the end of the year		6,600	6,335
Investment DBSA IT Grant			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62173639926 : Call Account</i>			
Bank statement balance at the beginning of the year		323 633	323 633
Bank statement balance at the end of the year		323 633	323 633
Investment Sibongile Library Internet			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62173631948 : Call Account</i>			
Bank statement balance at the beginning of the year		8,072	74,049
Bank statement balance at the end of the year		157 503	8 072
Investment Sports Project			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62412969084 : Call Account</i>			
Bank statement balance at the beginning of the year		371,364	
Bank statement balance at the end of the year		386 915	371 364
Investment INEG			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62337661038 : Call Account</i>			
Bank statement balance at the beginning of the year			4 693 925
Bank statement balance at the end of the year		-	-
Investment Sports Project			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62228322294 : Money Market Account</i>			
Bank statement balance at the beginning of the year		11 066	262 792
Bank statement balance at the end of the year		-	11 066
TOTAL INVESTMENTS (GOVERNMENT GRANTS AND SUBSIDIES) :		4 690 501	4 010 580
TOTAL CURRENT INVESTMENTS		35 810 546	40 030 965
8 OTHER FINANCIAL ASSETS			
8 OTHER CURRENT FINANCIAL ASSETS			
Local registered stock - Estcourt Municipality		7,200	7,200
Total Receivables		7 200	7 200

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2014

9 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land	Buildings	Infrastructure Electricity	Infrastructure Roads	Assets under construction	Infrastructure Other	Machinery & Equipment	Furniture & Equipment	Motor Vehicles	Leased Assets	Housing Letting schemes	Total
as at 1 July 2013	26,074,701	10,868,474	22,209,690	77,419,145	26,897,840	3,878,281	3,246,725	1,251,428	3,134,279	5,982	1,247,483	176,234,027
Cost/Revaluation	26,074,701	21,972,620	36,668,770	107,550,854	26,897,840	6,468,609	11,387,144	8,764,349	8,311,767	10,488	1,247,483	255,354,625
Accumulated depreciation	-	-11,104,146	-14,459,080	-29,567,267	-	-2,516,174	-7,815,806	-7,503,144	-5,014,567	-4,506	-	-77,984,690
Accumulated impairment	-	-	-	-564,442	-	-74,155	-324,613	-9,777	-162,921	-	-	-1,133,908
Acquisitions	-	-	1,555	-	16,379,226	-	748,708	590,308	196,228	-	-	17,916,025
Assets under construction brought into use	-	49,842	-	3,848,525	-3,898,367	-	-	-	-	-	-	-0
Depreciation	-	-769,174	-977,528	-3,801,066	-	-394,889	-613,878	-399,276	-482,631	-2,987	-	-7,441,429
Impairment	-	-893,193	-72,235	-4,609	-	-	-151,351	-47,171	-412	-	-	-1,168,970
Carrying value of disposals	-	-	-	-	-	2,673	99,631	78,852	37,545	-	-	218,702
Cost/Revaluation	-	-	-	-	-	317,511	2,769,010	1,971,673	254,229	-	-	5,312,423
Accumulated depreciation	-	-	-	-	-	-314,837	-2,669,379	-1,892,821	-216,095	-	-	-5,093,132
Accumulated impairment	-	-	-	-	-	-	-	-	-589	-	-	-589
as at 30 June 2014	26,074,701	9,255,949	21,161,482	77,461,995	39,378,699	3,480,718	3,130,573	1,316,437	2,809,920	2,995	1,247,483	185,320,951
Cost/Revaluation	26,074,701	22,022,462	36,670,325	111,399,379	39,378,699	6,151,099	9,366,842	7,382,984	8,253,766	10,488	1,247,483	267,958,227
Accumulated depreciation	-	-11,873,320	-15,436,608	-33,368,333	-	-2,596,226	-5,760,305	-6,009,599	-5,281,103	-7,493	-	-80,332,987
Accumulated impairment	-	-893,193	-72,235	-569,051	-	-74,155	-475,964	-56,948	-162,743	-	-	-2,304,289

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Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Reconciliation of Carrying 9 Value	Land	Buildings	Infrastructure Electricity	Infrastructure Roads	Assets under construction	Infrastructure Other	Machinery & Equipment	Furniture & Equipment	Motor Vehicles	Leased Assets	Housing Letting schemes	Total
as at 1 July 2012	26,074,701	11,594,451	23,228,662	80,422,630	1,639,902	3,920,069	3,529,536	1,662,494	3,182,909	8,967	1,247,483	156,509,804
Cost/Revaluation	26,074,701	21,972,620	36,668,770	107,550,854	1,639,902	6,165,725	11,012,187	8,683,012	7,836,416	10,488	1,247,483	228,862,158
Accumulated impairment	-	-	-	-564,442	-	-74,155	-324,613	-9,777	-162,921	-	-	-1,135,908
Accumulated depreciation	-	-10,378,169	-13,442,108	-26,563,782	-	-2,171,501	-7,158,038	-7,010,741	-4,490,586	-1,521	-	-71,216,446
Acquisitions	-	-	-	-	25,257,938	302,884	374,957	81,337	475,351	-	-	26,492,467
Newly identified assets at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Assets under construction brought into use	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-725,977	-1,016,972	-3,003,485	-	-344,673	-657,768	-492,403	-523,981	-2,985	-	-6,768,244
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated impairment	-	-	-	-	-	-	-	-	-	-	-	-
as at 30 June 2013	26,074,701	10,868,474	22,209,690	77,419,145	26,897,840	3,876,281	3,246,725	1,251,428	3,134,279	5,982	1,247,483	176,234,027
Cost/Revaluation	26,074,701	21,972,620	36,668,770	107,550,854	26,897,840	6,468,609	11,387,144	8,764,349	8,311,767	10,488	1,247,483	255,354,625
Accumulated depreciation	-	-11,104,146	-14,459,080	-29,567,267	-	-2,516,174	-7,815,806	-7,503,144	-5,014,567	-4,506	-	-77,984,690
Accumulated impairment	-	-	-	-564,442	-	-74,155	-324,613	-9,777	-162,921	-	-	-1,135,908

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Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	Note	2014	2013 Restated
		R	R
10 INTANGIBLE ASSETS			
10 Reconciliation of carrying value			
		R	R
as at 1 July 2013		71,937	107,904
Cost		1 396 385	1 396 385
Accumulated amortisation and impairment losses		(1 324 448)	(1 288 481)
Acquisitions			
Amortisation		(23 104)	(35 967)
Carrying value of disposals		2,550	-
Cost		480,509	
Accumulated amortisation		(477,960)	
as at 30 June 2014		46,284	71,937
Cost		915 876	1 396 385
Accumulated amortisation and impairment losses		(869 592)	(1 324 448)
The carrying value of intangible assets disclosed relate to computer software of R46 284			

11 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

	Investment property	Total
as at 1 July 2013	18 425 034	18 425 034
Acquisitions	-	-
Fair value adjustment	-	-
as at 30 June 2014	18 425 034	18 425 034

	Investment property	Total
as at 1 July 2012	11 872 000	11 872 000
Acquisitions	-	-
Fair value adjustment	6,553,034	6,553,034
as at 30 June 2013	18 425 034	18 425 034

The fair values of these properties as valued by councils valuer at 01 July 2013 amounts to

	18 425 034	18 425 034
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Rental income from these properties amount to

No amounts were expensed towards repairs and maintenance costs for income generating investment properties

Details of investment properties are included in a register which is available for inspection at the municipal offices

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014	2013
	R	Restated R
12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	14,005,245	12,012,510
Payments received in advance	1,095,923	1,142,396
Retentions	2,237,206	2,304,306
Umzinyathi District Municipality - water & sanitation transfer	1,577,290	1,213,831
Staff leave accrual	4,205,885	4,055,116
Deposits - other	82,822	76,622
Other creditors	3,160,387	3,176,256
Total	26,364,757	23,981,037

The fair value of trade and other payables approximates their carrying amounts.

13 CONSUMER DEPOSITS

Electricity	3,624,592	3,259,018
Guarantees held in lieu of Electricity and Water Deposits	159,310	164,310

14 VAT PAYABLE

VAT payable	2,624,404	2,352,464
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

15 PROVISIONS

15 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites		
Opening Balance	6,330,612	4,618,740
Unwinding discount	3,197,243	1,711,872
Total Non-Current Provisions	9,527,855	6,330,612

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 9%, over an average period of 8 years.

The provision created for the rehabilitation of the landfill site is based on Anderson Vogt Consulting Engineers assessment of the rehabilitation costs of the Glencoe dumpsite. A study will be done to determine the cost estimate in the near future.

The provision is calculated in line with the consulting engineers assessment as determined by discounting the present value of the estimate. Council intends to commence spending against the provision in 8 years.

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government

Seta Grant	1,464,494	1,357,848
Dev. Info Systems Grant	14,074	14,074
Transfer / Buyback Centre	6,600	6,335
DBSA Grant	323,633	323,633
Sibongile Lib. Internet Grant	157,503	8,072
Department of Sports Grant	318	11,066
Sports Grant	-	119,810
Sport Grant 2014	87,930	-
Craigside Development	14,255	14,255
Sibongile Sewer Upgrading	80,928	124,494
Upgrade Sibongile Hostel	464,688	492,438
KZN Housing	284,434	289,180
Upgrade Sithembile Hostel	316,256	303,627
Capacity Building	51,300	51,300
Training of councillors	27,602	27,602
Pound Grant	132,259	133,808
Integrated National Electrification Programme grant	-	3,048,207
Sibongile housing project	741,769	-
Total Unspent Conditional Grants and Receipts	4,168,042	6,325,749

See Note 25 for reconciliation of grants from other spheres of government. These amounts are invested in ring-fenced investment until utilised.

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 R	2013 Restated R
17 BORROWINGS		
Annuity Loans	7,093,009	8,980,653
Non - current borrowings	<u>7,093,009</u>	<u>8,980,653</u>
Current portion transferred to current liabilities	2,263,284	2,252,200
Annuity Loans	<u>2,263,284</u>	<u>2,252,200</u>
Total borrowings	<u>9,356,293</u>	<u>11,232,853</u>

Refer to Appendix A for more detail on borrowings.

Annuity loans

Bear interest at rates between 6.75% and 17% per annum, are being redeemed in Bi-annual installments, including interest, over varying periods until 2018

Security

The annuity loans are not secured against any assets of the municipality

18 HOUSING DEVELOPMENT FUND RESERVE

Housing Operating Account	4 065 051	3 937 726
Prior period error (Note 40)		-7,117
	<u>4 065 051</u>	<u>3 930 609</u>

The housing development fund is represented by the following assets & liabilities:

Fixed assets	1,247,483	1,247,483
Debtors	2,430,652	2,311,762
Cash at bank	386,915	371,364
Total Housing Operating Account Assets and Liabilities	<u>4,065,051</u>	<u>3,930,609</u>

19 OTHER RESERVES

Insurance Reserve	1,656,260	311,551
Prior period error (Note 40)		1,930
	<u>1,656,260</u>	<u>313,481</u>

20 PROPERTY RATES

Actual

Agriculture properties used for agricultural purposes	581,578	559,900
Agricultural properties used for other business and commercial purposes	191,072	168,600
Agricultural - Land Reform	1,633	2,976
Agricultural - Land Reform 2nd year	7,039	
Smallholding used for agricultural/residential purposes	262,106	258,518
Smallholding used for business/commercial/industrial purposes	-	268
Smallholding - Land Reform	-	2,344
Smallholding - Land Reform 2nd year	7,094	
Business and Commercial properties(with residential usage)	2,014,732	1,882,778
Business and Commercial properties	8,715,645	8,092,586
Industrial properties	3,400,887	3,185,016
Industrial properties (with residential usage)	97,068	90,876
Mining properties	247,200	230,978
Public Benefits Organisation	44,002	48,182
Public service infrastructure	76,213	52,017
Residentially Based Business	390,248	337,897
Residential Properties	21,628,665	20,184,515
Schools	3,330,216	3,498,683
State owned properties	3,980,128	3,931,485
Sport, recreation & social	27,400	25,123
Vacant Land (other than residential)	811,270	763,498
Vacant Land zoned residential	2,228,420	2,138,149
Leases	1,314	
Reassessment of prior year charges	-30,429	
Total	<u>48,013,502</u>	<u>45,454,388</u>

Valuations

Agriculture properties used for agricultural purposes	519,629,000	542,501,000
Agricultural properties used for other business and commercial purposes	17,743,000	17,743,000
Land Reform Agricultural Properties	7,414,000	12,350,000

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014	2013 Restated
	R	R
Land Reform Agricultural Properties 2nd year	12,350,000	
Smallholding used for agricultural/residential purposes	53,022,000	52,672,000
Smallholding used for business/commercial/industrial purposes	-	-
Land Reform Smallholding	-	2,355,000
Land Reform Smallholding 2nd year	2,815,000	
Business and Commercial properties(with residential usage)	72,953,000	72,953,000
Business and Commercial properties	314,210,000	313,125,000
Cemetery (Private)	442,000	442,000
Industrial properties	122,055,000	120,510,000
Informal settlements	350,000	350,000
Industrial properties (with residential usage)	3,430,000	3,430,000
Land reform properties	128,757,000	122,093,000
Mining properties	7,725,000	7,725,000
Municipal properties	165,862,000	159,203,000
Public Benefits Organisation	43,818,000	43,818,000
Public service infrastructure	38,314,000	38,314,000
Public Benefits Organisation property	17,988,000	17,988,000
Privately owned town serviced by the owner	4,201,000	4,201,000
Residential Based Business Properties	37,352,000	34,245,000
Residential Properties	2,230,770,000	2,225,442,000
Schools (Private and State)	103,206,000	103,206,000
State owned properties	116,098,000	115,973,000
Sports Social and Recreation Clubs	5,074,000	5,074,000
Vacant Land (other than residential)	11,779,000	11,709,000
Vacant Land zoned residential	30,248,000	31,064,000
Public worship	51,225,000	49,018,000
Worship Residential	12,458,000	11,848,000
Total Property Valuations	4,131,288,000	4,119,352,000

The last general valuation came into effect on:

01/07/2012 01/07/2012

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2012.

Interim valuations are processed on a quarterly basis to take into account changes in individual land values due to consolidations and subdivisions.

Assessment rates: Cents in the rand on market valuation as follows:

Agriculture properties used for agriculture purposes	0.30c/R	0.28c/R
Agricultural properties used for other business and commercial	3.20c/R	2.99c/R
Agriculture properties used for agriculture purposes- Land Reform	0.30c/R	0.28c/R
Smallholding used for agricultural or residential purposes- Land Reform	1.05c/R	0.98c/R
Smallholding used for agricultural or residential purposes	1.05c/R	0.98c/R
Smallholding used for business, commercial and industrial properties	3.20c/R	2.99c/R
Business and commercial properties(with residential usage)	3.20c/R	2.99c/R
Business and commercial properties	3.20c/R	2.99c/R
Industrial properties	3.21c/R	3.00c/R
Industrial properties (with residential usage)	3.21c/R	3.00c/R
Mining properties	3.20c/R	2.99c/R
Public service infrastructure	0.30c/R	0.28c/R
Residential properties	1.20c/R	1.12c/R
Residential based business	1.33c/R	1.24c/R
Sport , Recreation and sports clubs	0.54c/R	0.50c/R
Schools (Private and state)	3.63c/R	3.39c/R
State owned properties	3.63c/R	3.39c/R
Vacant land (other than residential)	7.36c/R	6.87c/R
Vacant land (zoned residential)	7.36c/R	6.87c/R
Public benefit organisation properties	0.30c/R	0.28c/R

The first R50 000 of the valuation of residential properties are exempt from the calculation of rates.

The first R15 000 of the valuation of vacant land zoned residential are exempt from the calculation of rates.

The first R15 000 of the valuation of industrial properties with residential usage are exempt from the calculation of rates.

The first R15 000 of the valuation of Business and Commercial properties with residential usage are exempt from the calculation of rates.

Rebates:

Agricultural property	62%	62%
Smallholdings	52%	52%
Business and commercial properties	12%	12%
Industrial properties	12%	12%
Land reform, worship, PBO's, monuments, informal settlements and municipal owned property	0%	0%
Residential properties	22%	22%
Public service infrastructure	30%	30%
Pensioners (Earning R0 - R3500 per month)	25%	25%
Pensioners (Earning R3500 - R4000 per month)	20%	20%

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014	2013
	R	Restated R
Pensioners (Earning R4000 - R4500 per month)	15%	15%
Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004 for the 2014 financial year):		
On a monthly basis, and the final dates of payment being the last working day of the month from August 2013 to June 2014.		
Interest is levied on outstanding rates per annum at:	12%	12%
21 SERVICE CHARGES		
Sale of electricity	86,121,465	82,430,404
Refuse removal	14,411,329	13,326,063
Total Service Charges	100,532,794	95,756,467
22 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities and equipment	1,357,421	1,286,912
Total Rentals	1,357,421	1,286,912
23 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	1,952,413	1,957,691
Total Interest	1,952,413	1,957,691
24 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Interest on land sales	3,403	3,187
Total interest	3,403	3,187
25 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	29,390,000	32,277,000
Municipal infrastructure grant	13,311,000	12,434,000
Financial management grant	1,550,000	1,500,000
Library subsidy	2,590,000	1,234,000
SETA grant	56,458	16,936
Municipal systems improvement grant	890,000	800,000
Sibongile library internet grant	191,038	175,150
Department of sports grant	10,830	257,614
Department of sports grant	119,810	30,190
Museum subsidy	484,000	321,000
Department of local government and traditional affairs - Sibongile	43,566	111,819
KZN Housing - Sibongile hostel	47,846	-
KZN Housing - Ext 18	4,746	12,001
Dept of Human Settlements - Sibongile Housing	503,992	-
Training of Councillors grant	-	121,534
Sport Grant 2014	62,070	-
Municipal Pound grant	2,350	918,809
Integrated National Electrification Programme grant	5,000,000	4,651,074
Integrated National Electrification Programme grant	3,048,207	3,951,793
Expanded Public Works Programme	1,000,000	-
Transfer / Buyback Centre	-	-
Total Government Grant and Subsidies	58 305 912	58 812 920
25 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	29,390,000	32,277,000
Conditions met – transferred to revenue	(29 390 000)	(32 277 000)
Conditions still to be met-transferred to liabilities (see note 16)	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. An amount of R 4 694 000 was withheld for the year ended 30 June 2014		
25 Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	-
Current year receipts	13 311 000	12 434 000
Conditions met - transferred to revenue	(13 311 000)	(12 434 000)
Conditions still to be met-transferred to liabilities (see note 16)	-	-
This grant was used for road infrastructure as part of upgrading of informal settlements. No funds were withheld.		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 R	2013 Restated R
GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
25 Financial Management Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1,550,000	1,500,000
Conditions met - transferred to revenue	-1,550,000	(1 500 000)
Conditions still to be met-transferred to liabilities (see note 16)	-	-
This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. No funds were withheld.		
25 Library subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	2,590,000	1,234,000
Conditions met - transferred to revenue	-2,590,000	(1 234 000)
Conditions still to be met-transferred to liabilities (see note 16)	-	-
This grant is in respect of the municipal library services.		
25 SETA grant		
Balance unspent at beginning of year	1,357,848	1,099,767
Current year receipts	163 104	275,016
Conditions met - transferred to revenue	(56 458)	(16 935)
Conditions still to be met-transferred to liabilities (see note 16)	1 464 494	1 357 848
This grant is in respect of training municipal staff. No Funds were withheld		
25 Health subsidy		
Balance unspent at beginning of year	-	(3 678 138)
Prior period error (Refer to note 40)		3 678 138
Current year receipts		-
Conditions met - transferred to revenue		-
Balance owing transferred to debtors (Refer to note 18)	-	-
The grant has been used exclusively to fund clinic services.		
25 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current year receipts	890,000	800,000
Conditions met - transferred to revenue	-890,000	(800 000)
Conditions still to be met-transferred to liabilities (see note 16)	-	-
This grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act.		
25 Development information systems grant		
Balance unspent at beginning of year	14,073	14,073
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 16)	14 073	14 073
This grant is for the development of information systems. No funds were withheld.		
25 Development Bank of South Africa		
Balance unspent at beginning of year	323,633	323,633
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 16)	323 633	323 633
This grant was used for the implementation of financial software. No funds were withheld.		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 R	2013 Restated R
25 Sibongile library internet grant		
Balance unspent at beginning of year	8,072	74,049
Current year receipts	340,468	109,174
Conditions met - transferred to revenue	-191,038	(175 150)
Conditions still to be met-transferred to liabilities (see note 16)	<u>157 503</u>	<u>8 072</u>
This grant is for the internet at the Sibongile library.		
No funds were withheld.		
25 Department of Sports grant		
Balance unspent at beginning of year	11,065	262,792
Current year receipts	82	5,887
Expenditure claimed in accordance with grant conditions	(10 830)	(257 614)
Conditions still to be met-transferred to liabilities (see note 16)	<u>317</u>	<u>11 065</u>
This grant is intended for the building of a sports facility.		
No funds were withheld.		
25 Capacity Building - DBSA		
Balance unspent at beginning of year	51,300	51,300
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 16)	<u>51 300</u>	<u>51 300</u>
This grant was received from the DBSA for capacity building.		
No funds were withheld.		
25 Museum subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	484,000	321,000
Expenditure claimed in accordance with grant conditions	-484,000	(321 000)
Conditions still to be met-transferred to liabilities (see note 16)	<u>-</u>	<u>-</u>
This grant is to fund museum services. No funds were withheld.		
25 Department of local government and traditional affairs - Sibongile		
Balance unspent at beginning of year	124,494	236,313
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	(43 566)	(111 819)
Conditions still to be met-transferred to liabilities (see note 16)	<u>80 928</u>	<u>124 494</u>
This grant is for the Sithembile sewer upgrade. No funds were withheld.		
25 KZN Housing - Sibongile hostel		
Balance unspent at beginning of year	492,438	473,342
Current year receipts	20,095	19,096
Expenditure claimed in accordance with grant conditions	-47,846	-
Conditions still to be met-transferred to liabilities (see note 16)	<u>464 688</u>	<u>492 438</u>
This grant is for the upgrade of the Sibongile hostel.		
No funds were withheld.		
25 KZN Housing - Ext 18 housing project		
Balance unspent at beginning of year	289,180	-134,035
Current year receipts	-	435,216
Expenditure claimed in accordance with grant conditions	(4 746)	(12 001)
Balance owing transferred to debtors (Refer to note 18)	<u>284 434</u>	<u>289 180</u>
This grant is for the upgrade of the Extension 18 housing project.		
No funds were withheld.		
25 KZN Housing - Upgrade of Sithembile Hostel		
Balance unspent at beginning of year	303,628	291,881
Current year receipts	12,629	11,747
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 16)	<u>316 257</u>	<u>303 628</u>
This grant is for the upgrade of Sithembile hostel.		
No funds were withheld.		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014	2013
	R	Restated R
25 Dept of Human Settlements - Sibongile Housing Development		
Balance unspent at beginning of year		
Current year receipts	1,245,761	
Expenditure claimed in accordance with grant conditions	-503,992	
Balance owing transferred to debtors (Refer to note 18)	<u>741 769</u>	<u>-</u>
This grant is for the Sibongile Bufferstrip housing. No funds were withheld.		
Department of Cooperative Governance and Traditional Affairs - Training of		
25 Councillor Grant		
Balance unspent at beginning of year	27,602	149,136
Adjustments and transfers		
Current year receipts		
Expenditure claimed in accordance with grant conditions		(121 534)
Conditions still to be met-transferred to liabilities (see note 16)	<u>27 602</u>	<u>27 602</u>
This grant is for the training of Councillors. No funds were withheld.		
25 Department of Cooperative Governance and Traditional Affairs - Pound Grant		
Balance unspent at beginning of year	133,807	1,030,379
Current year receipts	801	22,237
Expenditure claimed in accordance with grant conditions	-2,350	-918,809
Conditions still to be met-transferred to liabilities (see note 16)	<u>132 258</u>	<u>133 807</u>
This grant is for the establishment of a municipal pound. No funds were withheld.		
25 KZN Housing - Craigsid development		
Balance unspent at beginning of year	14,255	14,255
Current year receipts		-
Expenditure claimed in accordance with grant conditions		-
Conditions still to be met-transferred to liabilities (see note 16)	<u>14 255</u>	<u>14 255</u>
This grant is for the development of Craigsid housing. No funds were withheld.		
Department of National Energy - Integrated National Electrification		
25 Programme		
Balance unspent at beginning of year		4,651,074
Current year receipts	5,000,000	-
Expenditure claimed in accordance with grant conditions	-5,000,000	(4 651 074)
Conditions still to be met-transferred to liabilities (see note 16)	<u>-</u>	<u>-</u>
This grant is for the Integrated National Electrification Programme increasing access to electricity specially in rural areas. No funds were withheld.		
25 Department of Environmental Affairs - Transfer station		
Balance unspent at beginning of year	6,335	6,091
Current year receipts	265	244
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 16)	<u>6 600</u>	<u>6 335</u>
The grant is for improvement of public participation. No funds were withheld.		
25 Department of National Energy - Integrated National Electrification		
Balance unspent at beginning of year	3,048,207	-
Current year adjustments	-3,048,207	
Current year receipts		7,000,000
Expenditure claimed in accordance with grant conditions		(3 951 793)
Conditions still to be met-transferred to liabilities (see note 16)	<u>-</u>	<u>3 048 207</u>

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 R	2013 Restated R
This grant is to increase access to electricity, specifically in rural areas No funds were withheld		
25 Department of Sports Grant		
Balance unspent at beginning of year	119,810	-
Current year receipts		150,000
Expenditure claimed in accordance with grant conditions	(119 810)	(30 190)
Conditions still to be met-transferred to liabilities (see note 16)	-	119 810
This grant is intended for the maintenance of a sport facility. No funds were withheld		
25 Dept of Public Works - Expanded Public Works Programme		
Balance unspent at beginning of year	-	-
Current year receipts	1,000,000	-
Conditions met - transferred to revenue	(1 000 000)	-
Conditions still to be met-transferred to liabilities (see note 16)	-	-
This grant is for the job creating programme by the Dept of Public Works No funds were withheld.		
25 Department of Sports Grant		
Balance unspent at beginning of year	-	-
Current year receipts	150,000	-
Conditions met - transferred to revenue	(62 070)	-
Conditions still to be met-transferred to liabilities (see note 16)	87 930	-
This grant is intended for the maintenance of a sports facility. No funds were withheld.		
26 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
26 Other Income		
Burial fees	85,668	117,419
Discount received	50,075	39,588
Land Sales	59,557	142,822
Other Income	554,299	983,505
Total Other Income	749,599	1,283,335
27 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	41,117,568	40,889,339
Annuation Insurance	10,774	10,774
Performance and other bonuses	3,225,652	3,734,425
Casual labour	358,693	633,363
Group Life	349,540	416,457
Leave	2,562,156	1,597,416
Medical Aid	3,247,631	2,921,006
Housing allowances	215,040	231,757
Protective clothing and uniforms	215,828	151,939
Overtime payments	1,520,045	1,264,116
Pension	8,225,033	8,456,321
Post Retirement Benefits		1,275,766
SALGA Shop fee	23,952	21,694
SARPA Membership	1,772	3,518
SAMRO	4,144	4,546
Standby Allowance	322,892	192,801
Sundry Allowance	1,007,509	940,959
Transport allowance	3,601,656	3,709,591
UIF	397,113	366,946
Total	66,406,997	66,822,733
Remuneration of the Municipal Manager		
Annual Remuneration	884,100	817,546
Car Allowance	64,147	51,319
Performance- and other bonuses		-
Travel, motor car, accommodation, subsistence and other allowances	24,076	20,060
Contributions to UIF, Medical and Pension Funds	150,487	118,622
Total	1,122,810	1,007,546

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 R	2013 Restated R
The position of Municipal Manager was filled on 1st September 2012 and the incumbent was subsequently suspended on 18 April 2013. The municipal manager is currently still on suspension and the case against him is still ongoing.		
Remuneration of the Chief Finance Officer		
Annual Remuneration		1,071,758
Leave conversion	159,878	
Acting Allowance	68,500	
Performance- and other bonuses		486,061
Cell phone allowance		12,268
Car allowance		
Contributions to UIF, Medical and Pension Funds		221,211
Total	228,379	1,791,299

The position of the Chief Financial Officer became vacant in June 2013. The Senior Financial Officer was acting in the position of Chief Financial Officer up to March 2014. The above remuneration includes an acting allowance for the managers acting in the position of CFO in the 2013/2014 financial year. An official from the district municipality is currently acting in the position of the Chief Financial Officer.

The leave paid in the 2014 financial year, related to the chief financial officer's leave entitlement at at 30 June 2013.

Remuneration of Individual Executive Managers

	Technical Services R	Corporate Services R
2014		
Annual Remuneration		
Leave conversion	204,261	210,983
Acting Allowance	54,371	112,739
Performance- and other bonuses		
Cell phone allowance		
Car allowance		
Contributions to UIF, Medical and Pension Funds		
Total	258,633	323,722

The Executive Manager Technical Services position became vacant in June 2013. The above remuneration includes an acting allowance for the managers acting in the position of executive manager technical services in the 2013/2014 financial year. The leave paid in the 2014 financial year, related to the Executive Manager Technical Service's leave entitlement at at 30 June 2013.

The position of the Executive Manager Corporate Services became vacant in June 2013. The above remuneration includes an acting allowance for the managers acting in the position of executive manager corporate services in the 2013/2014 financial year. The leave paid in the 2014 financial year, related to the Executive Manager Corporate Service's leave entitlement at at 30 June 2013.

	Technical Services R	Corporate Services R
2013		
Annual Remuneration	973,197	930,391
Performance- and other bonuses	617,352	432,709
Cell phone allowance		10,815
Car allowance	5,692	-
Contributions to UIF, Medical and Pension Funds	239,394	324,244
Total	1,835,635	1,698,158

The above remuneration includes an acting allowance for the position of Municipal Manager

28 REMUNERATION OF COUNCILLORS

Executive Mayor	393,673	367,448
Deputy Executive Mayor	319,112	307,756
Speaker	319,112	296,438
Executive Committee Member	300,471	278,685
Councillors	1,346,185	1,282,656
Councillors' travel allowances	395,695	394,592
Total Councillors' Remuneration	3,074,248	2,927,575

Endumeni Municipality
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for the year ended 30 June 2014

	2014	2013
	R	Restated R
In-kind Benefits		
The Executive Mayor, Deputy Executive Mayor and Speaker are part-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has one full-time bodyguard and a driver. The Deputy Executive Mayor has a driver.		
29 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment - restated	7,441,429	6,768,244
Intangible assets - restated	23,104	35,967
Total Depreciation and Amortisation	7,464,533	6,804,211
30 FINANCE COSTS		
Borrowings	1,251,918	1,448,618
Total Finance Costs	1,251,918	1,448,618
31 BULK PURCHASES		
Electricity	68,977,529	62,805,704
Total Bulk Purchases	68,977,529	62,805,704
32 CONTRACTED SERVICES		
Contracted services	1,387,899	2,062,642
	1,387,899	2,062,642
33 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	300,410	306,026
Amendments To Acts & Ord.	69,257	118,895
Audit Committee	16,236	244,482
Audit Fees & Internal Audit Fees	1,528,213	2,178,616
Bank Charges	713,473	727,545
H I V Aids	93,490	189,252
Indigent Support	1,297,030	1,433,819
Insurance	208,509	186,179
Lease Payments	176,272	163,484
Led Projects	400,390	929,739
Legal Expenses	628,602	597,346
Materials	772,577	331,846
Membership Fees Kwanaloga	680,632	537,040
Meter Reading Fees	134,692	124,284
National Cleanest Town Compet	13,369	64,991
New Connections	245,233	189,996
Postages	307,766	285,790
Printing & Stationery	870,991	948,653
Prodiba - Payments	423,914	414,375
Promotion Of Endumeni	277,332	345,575
Rural Horse Riding Event	471,679	385,642
Security	4,670,453	2,635,428
Service Of Process	79,782	68,400
Sport, Youth, Arts And Culture	687,113	622,911
Staff Training	611,528	674,991
Subsistence & Travelling	1,047,455	892,088
Telephone	685,010	599,126
Traffic Control	109,328	89,885
Transport Cost	5,266,128	3,885,354
Valuation Fees	267,704	328,989
Valuation Reduction	5,516,109	5,151,255
Other General Expenses	19,699,870	10,880,783
Consultancy Fees	634,522	2,071,124
Recharges	(14 479 697)	(1 266 597)
Grant expenditure condition met	8,695,412	473,652
	43,120,783	37,810,961

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 R	2013 Restated R
34 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	-218,702	
Intangible assets	-2,550	
Total Gain / (Loss) on Sale of Assets	-221,251	-
35 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)		
Property, plant and equipment	1,168,970	-
Consumable Stores Impairment Loss	117,454	73,186
Total Impairment loss / (Reversal of Impairment Loss)	1,286,424	73,186
36 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
Investment property carried at fair value		6,553,034
Total Profit / (Loss) on Fair Value Adjustment	-	6,553,034
37 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	-143,765	17,460,095
Adjustment for:-		
Depreciation and amortisation	7,441,429	6,768,244
Amortisation	23,104	35,967
(Gain) / loss on sale of assets	221,251	-
Contribution to retirement benefit obligation	4,244,453	5,124,488
Contribution to landfill site provision	3,197,243	1,711,872
Contribution to bad debt provision	12,189,519	9,013,383
Contribution to leave provision	150,769	-264,623
Straightlining of leases	543,592	29,694
Finance costs	1,251,918	1,448,618
Fair value adjustments	-	-6,553,034
Impairment loss / (reversal of impairment loss)	1,168,970	-
Impairment loss / (reversal of impairment loss) on inventory	117,454	73,186
Fines revenue	-710,342	43,771
Reserve income	1,477,221	-319,402
Interest earned	-1,955,816	-1,960,878
Operating surplus before working capital changes:	29,216,998	32,611,380
(Increase)/decrease in inventories	-853,274	-16,977
(Increase)/decrease in trade receivables	-3,615,450	-4,585,846
(Increase)/decrease in other receivables	-10,028,413	-2,505,066
Increase/(decrease) in VAT payable	271,939	367,746
Increase/(decrease) in conditional grants and receipts	-2,157,706	-2,352,339
Increase/(decrease) in trade payables	2,232,952	-939,018
Cash generated by/(utilised in) operations	15,067,046	22,579,881
38 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	2,620,919	2,043,833
Call investment deposits	35,810,546	40,030,965
Net cash and cash equivalents (net of bank overdrafts)	38,431,465	42,074,798

39 CHANGE IN ACCOUNTING POLICY

No adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from a change in accounting policy.

40 PRIOR PERIOD ERROR

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from a correction of prior year errors.

The comparative amount has been restated as follows:

Housing Development Fund

Graduated rentals was incorrectly journalised to expenditure instead of being accounted for in the housing development fund in the prior year. The effect of the error on the Housing operating account is reflected below:

Balance previously reported	3,937,726
Correction of error	-7,117
Net effect on Statement of Financial Position	3,930,609

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 R	2013 Restated R
<u>Receivables from non-exchange</u>		
A journal was incorrectly passed in 2010 resulting in the health subsidy receivable being recognised twice in the financial records. The health subsidy receivable was recognised under Grant Debtors and Sundry debtors. The effect of the reversal of this journal is reflected below:		
Balance previously reported		9,319,670
Correction of error: Grant Debtors		-3,678,137
Correction of error: Debtors Other		1,914,336
Net effect on Statement of Financial Position		7,555,868
<u>Payables from exchange transactions</u>		
A journal was incorrectly passed in 2010 resulting in the health subsidy receivable being recognised twice in the financial records. The health subsidy receivable was recognised under Grant Debtors and sundry debtors. The effect of the reversal of this journal is reflected below:		
Balance previously reported		25,744,838
Correction of error		-1,763,802
Net effect on Statement of Financial Position		23,981,037
<u>Property, plant and equipment</u>		
In the prior year certain assets were erroneously expensed instead of being capitalised. These assets were identified in the current year and a prior period adjustment was made to correctly reflect the assets not capitalised. The depreciation was also recalculated and the effect of the error is reflected below:		
Balance previously reported		171,159,999
PY Error: Assets Additions not capitalised 2012		1,497,929
Correction of error - Depreciation		2,407,913
PY Error: Assets Additions not capitalised 2013		1,168,186
Net effect on Statement of Financial Position		176,234,027.84
<u>Intangible assets</u>		
In the prior year, the amortisation expense was incorrectly calculated resulting in an understatement of Intangible assets. A prior period adjustment was made to correctly reflect the intangible assets. The effect of the correction of this error is reflected below:		
Balance previously reported		49,452
Correction of error		22,485
Net effect on Statement of Financial Position		71,937
<u>Insurance Reserve</u>		
In the prior year certain assets were erroneously included in the insurance reserve instead of being capitalised. These assets were identified in the current year and a prior period adjustment was made to correctly reflect the assets not capitalised. The effect of the correction of this error is reflected below:		
Balance previously reported		311,551
Correction of error		1,930
Net effect on Statement of Financial Position		313,481
<u>Accumulated Surplus/(Deficit)</u>		
In the prior year certain assets were erroneously expensed instead of being capitalised. These assets were identified in the current year and a prior period adjustment was made to correctly reflect the assets not capitalised. The depreciation was also recalculated and the effect of the error is reflected below:		
Graduated rentals was incorrectly journalised to expenditure instead of being accounted for in the housing development fund in the prior year. The effect of the error on the Accumulated Surplus/(Deficit) is reflected below:		
Balance previously reported 1 July 2013		146,409,958
PY Error: Assets Additions not capitalised 2012		1,497,929
Balance previously reported 1 July 2013 Restated		147,907,887
PY Error: Graduated rentals incorrectly included in expenditure		7,117
PY Error: Assets Additions not capitalised 2013		1,166,257
PY Error: Recalculation of depreciation charge		2,407,913
PY Error: Recalculation of Amortisation charge		22,485
Net effect on Statement of Financial Performance		151,511,659

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014	2013
	R	Restated R
41 CHANGE IN ESTIMATE		
There has been no significant changes in accounting estimates in the current reporting period.		
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
42 DISALLOWED		
42 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	-8,364,234	-7,307,035
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	7,307,035
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>-8,364,234</u>	<u>-</u>
42 Fruitless and wasteful expenditure		
No fruitless and wasteful expenditure was incurred for the year ended 30 June 2013 and 30 June 2014		
42 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	-	-
Irregular expenditure current year	258,103	3,252,208
Condoned or written off by Council	-57,000	-3,252,208
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>201,103</u>	<u>-</u>
Bids not awarded to suppliers with highest points		214,925
Supply chain management policy deviations (Refer to note 44)		
- Christmas Function		82,647
- Refreshments		43,290
- Funeral - Hire of Tents	37,000	
- Catering womens Day Celebration	20,000	
- Replacement of Ceiling in Room 6	6,266	
- Hire of Tents	9,500	
- Hire Of Taxis	52,440	
- Replacement of Tyres on NGL 5117	49,580	
- Replacement of Precast Wall - Old Police Station (Sibongile)	83,317	
Performance evaluations not performed on tender		2,911,346
	<u>258,103</u>	<u>3,252,208</u>

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 R	2013 Restated R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE		
43 MANAGEMENT ACT		
43 Contributions to organised local government		
Opening balance		-
Council subscriptions	743,160	547,040
Amount paid - current	-743,160	-547,040
Amount paid - previous years		
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
43 Audit fees		
Opening balance		-
Current year audit fee	1,456,294	1,669,690
Amount paid - current year	-1,456,294	-1,669,690
Amount paid - previous years		
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
Balance unpaid (Included in creditors)		
43 VAT		
Vat received for the year	<u>2,358,605</u>	<u>3,569,289</u>
Vat paid for the year	<u>246,986</u>	<u>1,111,488</u>
All VAT returns have been submitted by the due date throughout the year.		
43 PAYE and UIF		
Opening balance		-
Current year payroll deductions	8,533,868	9,220,033
Amount paid - current year	-8,533,868	-9,220,033
Amount paid - previous years		
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
43 Distribution Losses		
Units lost (kilowatts)	<u>31,137,455</u>	<u>27,290,823</u>
Units lost (sales price per kilowatts - rands)	<u>36,632,835</u>	<u>29,522,537</u>
Units lost due to normal distribution losses (sales price per kilowatts - rands [2014 : R 1.253, 2013 : R 1.122])	<u>9,778,250</u>	<u>8,664,995</u>
Units lost due to theft (sales price per kilowatts - rands [2014 : R 1.151, 2013 : R 1.066])	<u>26,851,256</u>	<u>20,857,000</u>
Units lost due to normal distribution losses (percentage)	8%	8%
Units lost due to theft (percentage)	24%	20%
44 Pension and Medical Aid Deductions		
Opening balance		-
Current year payroll deductions and Council Contributions	16,809,869	18,757,249
Amount paid - current year	-16,809,869	-18,757,249
Amount paid - previous years		
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
44 Councillor's arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days as at: -		Outstanding more than 90 days R
as at 30 June 2014		
Councillor: WN Mbatha (Amounts have subsequently not been paid)		358
Total Councillor Arrear Consumer Accounts		<u>358</u>
as at 30 June 2013		
Councillor: WN Mbatha (Amounts have subsequently not been paid)		83
Councillor: HSB Ngobese (R500 has subsequently been paid)		753
Total Councillor Arrear Consumer Accounts		<u>837</u>

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014	2013
	R	Restated R
44 Deviations of Supply Chain Management Policy		
Fencing to Community Garden		38,000
The awarding of the quote for the fencing of the Community Garden did not follow the usual procurement process as this was an emergency situation. The deviation was duly authorized by the accounting officer and the council on 22 January 2013.		
Battery Charger - Glencoe		39,330
The awarding of the quote for the purchase of a battery charger did not follow the usual procurement process as this was an emergency situation. The deviation was duly authorized by the accounting officer and the council on 16 October 2012.		
Rewind 630KVA Transformer		102,589
The awarding of the quote for the 630 KVA Transformer workshop did not follow the usual procurement process as this was an emergency situation. The deviation was duly authorized by the accounting officer and the council on 31 May 2013.		
Mayoral Imbizo		32,580
The awarding of the quote for catering did not follow the usual procurement process as this was an emergency. The deviation was duly authorized by the accounting officer and the council on 06 August 2013.		
Updating of the Assets Register	193,673	
Endumeni Municipality is currently using the software provided by Pricewaterhouse Coopers. Pricewaterhouse Coopers is the owner and supplier of the system currently being used by the Municipality. The deviation was duly authorised by the accounting officer and the council on the 27 August 2013. (C14/27/08/13)		
Repairs to Case TLB - NDE 523	35,756	
Parts were purchased from the sole provider of these parts namely CSE Equipment Co (Pty) Ltd, Pinetown. The deviation was duly authorised by the accounting officer and the council on the 27 August 2013. (C16/27/08/13)		
Woman's Day Celebration	20 000	
The awarding of the quote for catering did not follow the usual procurement process as this was an emergency. The deviation was duly authorized by the accounting officer and the council on 27 August 2013. (C01/10/09/13-2)		
Upgrading of Current Financial System	285 000	
The awarding of the quote for the upgrading of the current Munsoft system to the Munsoft 5(i) Version which did not follow the usual procurement process as this was an emergency. The deviation was duly authorized by the accounting officer and the council on 03 December 2013. (C06/03/12/13)		
Publication of Notice in the Sunday Times - LED/IDP Manager - IDP/PMS Manager - Notice No: 08/2014	43 630	
The awarding of the quote for publication of notice number:08/2014 did not follow the usual procurement process as this was done in the Sunday Times Newspaper(Sole Supplier). The deviation was duly authorized by the accounting officer on 20 January 2014. Executive Committee Meeting Resolution No: C01/18/02/14-2 .To be submitted to Council in July 2014		
Supply of Electrical Prepaid Meters	45 258	
The awarding of the quote for purchase of Electrical Prepaid Meters did not follow the usual procurement process Landis & Gyr (Pty) Ltd are the (Sole Supplier), was also advertised with Bid B15/2012-13 and no response was received. The deviation was duly authorized by the accounting officer on 15 May 2014.(C06/30/6/14)		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014	2013
	R	Restated R
Repairs to Headly and Fouche Substations	65 241	
The awarding of the quote for repairs to Headly and Fouche Substation did not follow the usual procurement process as the insurers had accepted the quote received from G.M. Builders to proceed with the job. The deviation was duly authorized by the accounting officer on 15 May 2014. (C05/30/6/14)		
Supply and Delivery of Bus Shelters - Ward Allocations	107,985	
The awarding of the quote for of Bus Shelters for Ward 3 & 6 did not follow the usual procurement process as Rocla (Pty) Ltd are the Sole Supplier and Manufacturer of this product. The deviation was duly authorized by the accounting officer on 10 June 2014. To be submitted to council in July 2014.		
Extension of Short Term Insurance	443,973	
The Extension of Short Term Insurance as per Bid Number: 88/2010-11 did not follow the usual procurement process as documents for the bid process were not compiled timeously due to the resignation of the previous Acting Chief Financial Officer Due. The deviation was duly authorized by the accounting officer on 27 June 2014. To be submitted to council in July 2014.		
	<u>1,240,516</u>	<u>212,499</u>

44 CAPITAL COMMITMENTS

44 Commitments in respect of capital expenditure

- Approved and contracted for	2,454,022	5,613,874
Infrastructure	2,454,022	5,613,874
Other		
- Approved but not yet contracted for	-	36,168,637
Infrastructure		36,168,637
Other		
Total	2,454,022	41,782,511
This expenditure will be financed from government grants and internal funding.		
- Grant Funded	2,454,022	13,311,000
- Council funded		28,471,511
- External Loans		
- Funding still to be sourced		-
	<u>2,454,022</u>	<u>41,782,511</u>

44 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	204,477	3,165,859
In the second to fifth year inclusive	69,293	3,673,836
After five years		1,756,591
Total	273,770	8,596,286

Operating lease payments represent rentals payable relate to the hiring of office equipment, security systems, cleaning agents and container rentals

Operating leases – as lessor

The future minimum lease payments receivable under operating leases are as follows:

Minimum lease payments due

Within one year	57,058	279,702
In second to fifth year inclusive	4,497	889,066
After five years	1,154	1,121,014
Total	62,709	2,289,782

Operating lease payments receivable relate to rentals for the commonage, vacant land, airport hangers, buildings, advertising space and housing. Operating leases have been straightlined in accordance with GRAP requirements.

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014	2013
	R	Restated R
45 EMPLOYEE BENEFITS		
45 Defined Benefit Plans		
<i>Post-employment medical benefits</i>		
The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Keyhealth, LA Health and SAMWU. Pensioners continue on the option they belonged to on the day of their retirement.		
The independent valuers, PricewaterhouseCoopers Actuarial and Insurance Management Solutions (PwC), carried out a statutory valuation on 30 June 2014.		
Statement of Financial Position		
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:		
Balance at beginning of the year	44 623 957	39 499 469
Current service cost	1 566 379	1 465 904
Interest cost	3 979 865	3 484 832
Benefit payments	(1 419 136)	(1 275 766)
Actuarial (gains)/losses	117 343	1 449 518
Total	48,868,410	44,623,957
Statement of Financial Performance		
Current service cost	1 566 379	1,465,904
Interest cost	3 979 866	3,484,832
Benefit payments		(1 275 766)
Actuarial (gains)/losses	117 343	1,449,518
Total	5,663,588	5,124,488
Principal actuarial assumptions:		
Discount rate	8.90%	8.90%
How was the discount rate determined	Market yields on government bonds	
Increase in health care cost	8.10%	8.10%
Expected rates of salary increase		
Active members expected to continue after retirement	90%	90%
Average retirement age	63	63
Mortality pre-retirement	SA 85-90 light	SA 85-90 light
Pre- retirement mortality at 30 June 2014 rated down 1 year for males and females		
Mortality post-retirement		
(Allow for 1% per annum mortality improvement factor from 2010)	PA (90)	PA (90)
46 CONTINGENT LIABILITY		
46 PC Hechter and Others		30,000
This matter is with regard to a person who was evicted and Council had to provide alternate accommodation for her, however, the judgement did not specify whether the alternate accommodation would be for free or at a market related rental. Council then took the judgement up on appeal to get clarity on this matter. Matter has now been finalised. The High Court has set aside the ruling of the Magistrate Court.		
46 Natal Joint Municipal Pension Fund (NJMPF)		
The appeal court judgement ordered Endumeni to pay the legal cost of the NJMPF in the case against Council where Mr. Maltman, dismissed Manager Technical Services had allegedly received an unjustified enrichment. This matter has now been finalised, and the municipality has paid an amount of R484 019.15 in the 2013/14 financial year.		
46 Previous Section 56 managers		
The contracts for the section 57 senior managers were not renewed. They are taking legal action against the municipality. The information usually required by the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it may prejudice the outcome of the litigation. Council is of the opinion that the claim can be successfully defended by the municipality. Matter is set down for Labour Court hearing soon. Date not yet determined.		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

2014	2013
R	Restated R

46 CONTINGENCIES ARISING FROM PENDING LITIGATION ON WAGE CURVE AGREEMENT

On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. The Labour Court had ruled in favour of the unions. SALGA appealed the ruling and the Labour Appeal Court then ruled in favour of SALGA. The unions then attempted to take the matter to the Constitutional Court, but their application was dismissed as the Court was of the opinion that the unions had no prospect of success. The wage curve dispute is thus settled with the ruling of the Labour Appeal Court against the unions.

46 DISMISSED FORMER EMPLOYEES

A number of employees had been appointed into positions during the time that the suspended Municipal Manager had returned to office in accordance with a Council resolution that was taken *ultra vires*. These 25 appointments have now been declared as illegal by the Council, and the employees' services have been terminated. They have all decided to go to the Bargaining Council to declare disputes about the termination of their services. Conciliation proceedings have failed, and the matters have now been set down for arbitration. The outcome of these proceedings are pending. Matter is ongoing with some set down for arbitration during end August 2014 and beyond. The information usually required by the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it may prejudice the outcome of the litigation. Council is of the opinion that the case can be successfully defended by the municipality.

46 RURAL METRO

Rural Metro was the service provider for fire and emergency services in the Endumeni Municipal area. Their service contract was terminated on 30 June 2013. There is still an amount of R290 090.44 for services rendered in terms of their contract during 2013 outstanding. A dispute about the interpretation of the services agreement has resulted therein that the Municipality has withheld this payment. Rural Metro has now instituted legal action for the recovery of the amount due to them. Matter pending with Attorneys Acutt and Worthington.

46 TP Biyela vs. Endumeni

The municipal manager of Endumeni Municipality had been suspended on the 18 April 2013 pending the outcome of investigations into alleged irregularities. The disciplinary case against him is ongoing. The suspended municipal manager has lodged an interdict against the municipality in the High Court and applications have now been served on the municipality.

47 CONTINGENT ASSET

KALOO & JOGI

The matter is with regard to the operating of a business in a residential area. Endumeni has applied for an interdict against the owners. The matter is still ongoing and set down for trial.

10,000

48 RELATED PARTIES

Related party transactions: Councillor E Adam

Expenditure:

General expenses for the year

29,197

48,976

Nature of transaction: Councillor E Adam's spouse is the owner of a business that sells computer validated pre-paid tokens for the supply of electricity. A commission of 3.5% is paid monthly for providing this service. The commission payable at year end amounted to R 3438.68.

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

2014	2013
R	Restated R

49 EVENTS AFTER THE REPORTING DATE

No events after the reporting date noted for disclosure.

51 RISK MANAGEMENT

51 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Financial assets exposed to credit risk at year end were as follows:

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

Cash and Cash Equivalents	38,431,465	42,074,797
Financial guarantees	159,310	164,310
Trade and other receivables	15,591,282	13,982,921
Maximum Credit Exposure	138,792,693	63,663,096

These balances represent the maximum exposure to credit risk.

51 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

51 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

52 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

53. COMPARISON TO BUDGET ANNEXURE E (1)

53.1 ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

	Actual	Budget	Variance	Variance	Explanation of significant Variance
	2014	2014	2014	2014	greater than 15% versus Budget
	R	R	R	%	
REVENUE					
Revenue from exchange transactions	108 993 092	113 153 813	(4 160 721)	-4%	
Service charges	100 532 794	104 464 928	(3 932 134)	-4%	
Rental of facilities and equipment	1 357 421	970 628	386 793	40%	Staff housing rents higher than budgeted for
Interest earned- external investments	1 952 413	1 900 000	52 413	3%	
Interest earned- outstanding receivables	3 403	3 300	103	3%	
Licences and permits	4 397 463	4 152 500	244 963	6%	
Other income from exchange transactions	749 599	1 662 457	(912 858)	-55%	Sundry revenue items less than budgeted for
Gain on fair value of assets	-	-	-	-	
Revenue from non-exchange transactions	114 220 750	123 771 551	(9 550 801)	-8%	
Property rates	48 013 502	57 773 930	(9 760 428)	-17%	Budget includes revenue forgone of R8 million under expenditure
Property rates- penalties imposed and collection charges	8 814 972	6 093 875	721 097	12%	
Fines	1 086 364	508 745	577 619	114%	Effect of implementation of IGRAP 1
Government grants and subsidies	58 305 912	59 395 001	(1 089 089)	-2%	
Total Revenue	223 213 842	236 925 364	(13 711 522)		
EXPENDITURE					
Employee related cost	66 406 997	74 555 329	(8 148 332)	-11%	Vacancies in key management positions not filled.
Remuneration of councillors	3 074 248	3 148 337	(74 089)	-2%	
Adjustment to bad debt debts provision	12 189 519	3 825 285	8 364 234	219%	Bad debt provision higher than budgeted for
Adjustment to landfill site provision	3 197 243	453 098	2 744 145	606%	As per the engineers report
Collection costs	2 743 871	3 455 404	(711 533)	-21%	
Depreciation and amortisation expense	7 441 429	9 878 570	(2 435 141)	-25%	Lower than budget, capex budget not fully spent
Amortisation	23 104	34 787	(11 683)	-34%	Immaterial in amount
Repairs and maintenance	8 371 803	6 791 352	(1 580 451)	-19%	
Finance cost	1 251 918	1 251 920	(2)	0%	
Bulk purchases	68 977 529	69 591 993	(614 464)	-1%	
Contracted services	1 387 899	1 608 360	(220 461)	-14%	Rural Metro no longer providing fire Service
General expenses	43 120 783	52 037 477	(8 916 694)	-17%	
Loss on disposal of assets	221 251	482 495	(261 244)	-54%	
(Impairment loss) / Reversal of impairment loss	1 168 970	636 000	532 970	84%	
(Impairment loss) / Reversal of impairment loss inventory	117 454	34 500	82 954	240%	Investigation instituted due to loss of Diesel at stores
Retirement and long services benefits	5 663 588	6 617 678	(954 090)	-14%	As per actuary report
Total Expenditure	223 357 607	234 400 585	(11 042 978)		
NET (DEFICIT) / SURPLUS FOR THE YEAR	(143 765)	2 524 779	(2 668 544)		

ENDUMENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

53. COMPARISON TO BUDGET (Continued) ANNEXURE E (2)

53.2 ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

	2014 Actual	2014 Contribution	2014 Total Additions	2014 Budget	2014 Variance	2014 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
	R	R	R	R	R	%	
Corporate Services	99 769	-	99 769	157100	(57 331)	-36%	Underspending on Furniture and equipment.
Financial Services	430 156	-	430 156	76610	353 546	461%	
Municipal Manager	37 500	-	37 500	119000	(81 500)	-68%	
Technical Services	17 348 600	-	17 348 600	30725298	(13 376 698)	-44%	Capital to be financed by external loans did not materialise as loans could not be secured. Houses that were to be built with funding received from Department of Human Settlements were not built.
	17 916 025	-	17 916 025	31 078 008	(13 161 983)		

The appendix includes additions figures for Property, Plant and Equipment (note 9) and Intangible Assets (note 10) only.

Endumeni Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2014

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2013	Received during the period	Accrued Interest	Redeemed / written off during the period	Balance at 30 June 2014
ANNUITY LOAN							
DBSA @ 17%	13268/102	31/03/2018	5,368,252	-	187,580	942,485	4,613,346
DBSA @ 17%	13268/202	31/03/2018	2,763,655	-	96,569	485,205	2,375,018
DBSA @ 17%	13268/302	31/03/2018	2,524,266	-	88,204	443,177	2,169,293
DBSA @ 6.75%	102975/01	31/03/2014	576,680	-	3,287	381,332	198,635
Total Annuity Loans			11,232,853	-	375,640	2,252,200	9,356,293
TOTAL EXTERNAL LOANS			11,232,853	-	375,640	2,252,200	9,356,293

Endowed Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30 JUNE 2014

	Cost					Accumulated Depreciation					Accumulated Impairment					Carrying Value
	Opening Balance	Additions	Assets under construction	Assets under construction Released	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Opening Balance	Impairment adjustment	Disposals	Closing Balance		
Land	R 26,074,701					26,074,701	0	0		0	R 0			0	26,074,701	
Buildings	21,972,820			49,842		22,022,662	(11,104,148)	(718,174)		(11,822,322)	(883,193)			(883,193)	9,255,949	
Infrastructure - Electricity	36,468,770	1,555				36,670,325	(14,455,706)	(377,528)		(15,438,628)	(72,235)			(72,235)	21,161,482	
Infrastructure - Roads	107,550,854			3,848,525		111,399,379	(25,557,287)	(3,801,098)		(29,358,385)	(844,442)	(4,503)		(849,951)	77,461,995	
Assets under construction	28,887,840		16,379,325	(3,886,367)		39,379,699				0				0	39,379,699	
Infrastructure - Other	8,468,809				(317,511)	6,151,098	(2,518,174)	(384,889)	314,637	2,438,230)	(74,155)			(74,155)	3,469,718	
Machinery & Equipment	11,387,144	748,708			(2,789,010)	9,346,842	(7,815,086)	(613,878)	2,680,379	(5,788,385)	(324,613)	(151,351)	589	(497,374)	3,131,163	
Furniture & Fittings	3,810,681	114,034			(892,508)	3,032,217	(3,040,456)	(194,053)	815,330	(2,418,179)	(5,772)	(21,000)		(28,772)	588,286	
Computer Equipment	4,953,657	478,274			(1,079,185)	4,352,746	(4,462,698)	(236,223)	1,077,468)	(3,621,453)	(4,005)	(28,171)		(30,176)	726,171	
Motor Vehicles	8,311,757	198,228			(254,229)	8,255,756	(5,014,597)	(462,631)	216,095	(5,261,103)	(162,921)	(412)		(163,333)	2,695,330	
Leased assets	10,488					10,488				(7,453)				0	2,995	
Holding	1,247,483					1,247,483				0				0	1,247,483	
Total Property, Plant and Equipment	265,354,428	1,538,798	16,379,325	0	(6,512,423)	287,848,227	(77,894,689)	(7,441,438)	6,693,132	(80,332,887)	(1,138,808)	(1,188,878)	689	(2,304,289)	188,332,841	
Intangible assets	1,358,385				(463,558)	894,827									48,284	
Investment Properties	18,425,034					18,425,034				0					18,425,034	
Total Assets	275,178,044	1,538,798	16,379,325	0	(4,792,932)	287,289,137	(79,209,137)	(7,464,533)	6,671,092	(81,202,579)	(1,138,808)	(1,188,878)	689	(2,304,289)	203,792,289	

Endowment Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
85 81 30 June 2013

	Cost					Accumulated Depreciation				Accumulated Impairment				Carrying Value	
	Opening Balance	Additions	Revaluation of Investment Property	Assets under construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Opening Balance	Impairment adjustment	Disposals		Closing Balance
Land	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Buildings	26,074,701					26,074,701	(10,378,189)	(725,977)		(11,104,148)					26,074,701
Infrastructure - Electricity	21,972,820					21,972,820	(7,324,108)	(7,076,872)		(14,400,980)					10,668,474
Infrastructure - Roads	36,888,770					36,888,770	(7,324,108)	(7,076,872)		(14,400,980)					22,209,890
Infrastructure - Sewers	107,590,854					107,590,854	(28,801,782)	(3,003,385)		(32,805,167)					77,419,145
Assets under construction	1,839,902			25,251,708		26,897,940	0								26,897,940
Infrastructure - Other	8,185,725	302,854				8,488,579	(2,171,501)	(344,873)		(2,516,374)					3,879,201
Machinery & Equipment	11,012,187	374,857				11,387,044	(7,482,038)	(857,748)		(7,939,325)					3,248,725
Furniture & Fixtures	3,790,820	80,071				3,870,891	(2,787,848)	(272,471)		(3,060,456)					764,463
Computer Equipment	4,902,392	21,266				4,923,657	(4,242,755)	(218,832)		(4,461,587)					489,984
Motor Vehicles	7,536,418	473,351				8,311,767	(4,480,568)	(323,881)		(5,014,567)					3,134,279
Leased assets	10,468					10,468	(1,521)	(2,885)		(4,506)					5,982
Housing	1,247,483					1,247,483	0								1,247,483
Total Property, Plant and Equipment	228,862,158	1,234,529		25,251,708		255,348,625	-71,218,448	(8,788,248)	0	(77,884,696)	(1,135,908)	0	0	(1,135,908)	178,234,027
Intangible assets	1,396,365					1,396,365	(1,288,481)	(308,887)		(1,324,447)					71,938
Investment Properties	11,872,000		6,553,034			18,425,034									18,425,034
Total Assets	242,130,543	1,234,529	6,553,034	25,251,708		275,178,044	(72,604,827)	(8,804,211)	0	(79,309,137)	(1,138,808)	0	0	(1,138,808)	184,730,899

Endumeni Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2014

	Cost / Revaluation				Accumulated Depreciation				Accumulated Impairment				Carrying value R		
	Opening Balance R	Additions R	Gain on Fair value	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Closing Balance R	Opening Balance R	Impairment adjustment		Disposals	Closing Balance
Corporate Services	43,581,853	99,769			2,348,384	41,333,238	15,422,860	947,405	2,180,471	14,189,793	590	148,518	589	148,519	26,994,926
Financial Services	18,020,921	430,156			1,596,062	16,855,015	6,233,276	314,768	1,591,686	4,956,358	4,330	854,306		858,636	11,040,021
Municipal Manager	19,702,556	37,500			84,329	19,655,726	535,224	120,452	83,576	572,100				-	19,083,626
Technical Services	193,870,715	969,374		16,379,226	1,764,158	209,455,157	57,117,777	6,081,908	1,715,358	61,484,327	1,130,988	166,146		1,297,134	146,673,696
Total	275,176,045	1,536,799		16,379,226	5,792,933	287,299,136	79,309,137	7,464,533	5,571,092	81,202,579	1,135,908	1,168,970	589	2,304,289	203,792,269

The appendix includes figures for Property, Plant and Equipment (note 9), Intangible Assets (note 10) and Investment Properties (note 11).

Endumeni Municipality
APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2014

	2,013	2,013	2,013		2,014	2,014	2,014
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)	
R	R	R		R	R	R	
5,204,534	25,408,552	-20,204,018	Corporate Services	7,883,213	29,457,828	-21,574,615	
64,203,025	29,720,127	34,482,898	Financial Services	61,120,871	32,744,810	28,376,061	
30,595,270	17,542,410	13,052,860	Municipal Manager	25,734,849	13,947,417	11,787,432	
122,071,061	131,942,705	-9,871,644	Technical Services	128,474,909	147,207,553	-18,732,643	
222,073,890	204,613,794	17,460,095	Total	223,213,842	223,357,607	-143,765	

The inter-departmental charges have been allocated per segment for the current and prior years.